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The Multifaceted Wretchedness of Millennials in the US: The Case of Student Loan Debt

A Dissertation Submitted to the Department of Letters and English Language in Partial Fulfilment of the Requirements for the Master’s Degree in Language and Culture

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Dedication

This dissertation is dedicated to my supportive family and to everyone who strengthened my commitment to growth mindset.

Abstract

The present dissertation explores the financial difficulties facing Millennials in the US with special focus on the ripple effect of student loan debt on their lives. The Great Recession affected Millennials badly causing them to become financially disadvantaged compared with earlier generations. Consequently, Millennials found themselves pushed to take more student loan debt as the tuition fees rapidly increased. However, the fulfillment of higher education by debt came at the expense of delaying major life and financial milestones for this generation due to the difficulty of repayment. This research considers two avenues for Millennials to confront the financial burden of student loan debt. First, there is the financial knowledge required to deal with student loan debt on the personal level. Second, there are major proposals decision makers in the US must consider to solve the crisis at the national level.

ملخص

تبحث المذكرة الصعوبات المالية التي تواجه جيل الالفية في الولايات المتحدة مع التركيز بشكل خاص على التأثير المضاعف لديون القروض الطلابية. اثرت فترة الركود الاقتصادي الكبير بشكل سيء على جيل الالفية ما ادى لجعله محروما مقارنة بالأجيال السابقة. ونتيجة لذلك وجد جيل الالفية نفسه مدفوعا لأخذ المزيد من ديون القروض الطلابية لمجابهة الرسوم الدراسية المتزايدة بسرعة. غير ان تحصيل التعليم العالي عن طريق اخذ القروض اتى على حساب تأخير هذا الجيل لاهم المحطات الحياتية والمالية بسبب صعوبة تسديد الديون. يعتبر هذا البحث سبيلين يمكن من خلالهما لجيل الالفية مجابهة العبء المالي لديون القروض الطلابية أولاً، المعرفة المالية المطلوبة للتعامل مع ديون القروض الطلابية على المستوى الشخصي. ثانيًا، الاقتراحات الرئيسية لحل أزمة ديون القروض الطلابية التي يجب على صناع القرار في الولايات المتحدة النظر فيها لحل الأزمة على المستوى الوطني.

List of Abbreviations and Acronyms

ASA	American Student Assistance
CCP	Consumer Credit Panel
ESA	Educational Savings account
GDP	Gross Domestic Product
PAYE	Pay As You Earn
PLUS	Parent Loan for Undergraduate Students
PSLFP	Public Service Loan Forgiveness Program
PWC	Price Waterhouse Coopers
REPAYE	Revised Pay As You Earn
US	United States

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Introduction

The Great Recession had a significant impact on the US. The economists Allan Greenspan and Adrian Wooldridge argue that the Great Recession isthe worst financial crisis since the Great Depression (373). In addition to its impact on the broader economy the Great Recessionaffected the generational composition of the American society. While older generations were financially resilient to face the consequences of the crisis, younger generation were financially vulnerable. The Millennial generation in particular was unlucky to come of age during a historic economic change.

The Great Recessionhad particularly a strong impact on Millennials. The sharp economic downturn of 2007-09 recession shaped the life of Millennials. In his article entitled “The Millennial Money Myth” the author Reid Cramer describes briefly how the Great Recession impacted Millennials, he writes:

> Young adults were hit particularly hard by the financial crisis, and while they bore no responsibility for creating the economy or for failing to regulate it effectively, they’re now living with the consequences. Just as Millennials begin to approach their prime work and family-forming years, poor finances are complicating how they assemble the building blocks of success. Stagnant incomes, rising debts, and a broadly weakened financial profile have given rise to a new narrative: Millennials appear unlikely to replicate the economic success of their parents and grandparents.

Millennials are arguably the first generation to have less economic advantages compared with its predecessors.The reportentitled “Are Millennials Different?” concludes that Millennials are lagging behind earlier generation on several levels; first, Millennials are the most educated generation in the US, yet theyhave less household income compared with earlier generations; second, Millennials accumulated less wealth than earlier generations;third, Millennials are less likely to prioritize forming a family compared with earlier generations;

fourth, Millennials accumulated more debt than earlier generations. The results of the comparative study stress the long lasting impact of the Great Recession on Millennials.

Along with the negative impact of the Great Recession Millennials had to face the challenge of student loan debt crisis. Millennials' challenge is reflected through the number of borrowers. The Federal Reserve Bank of New York statistics for 2017 shows student loan debt by age as follows: borrowers under 30 years old represent the largest share of the total borrowers with 16.8 million, borrowers age 30-39 number 12.3 million, borrowers age 40-49 number 7.3 million, borrowers age 50-59 number 5.2 million and borrowers over 60 years old number 3.2 million(Friedman). In addition, The US economy continued to value higher education which urged Millennials to pursue expensive degrees so they can face the tough job market. Moreover,the accumulation of student loan debt squeezesMillennials' ability to establish financial security.

Student loan debt crisis causes Millennials to delay major life and financial milestones. Growing body of research conducted over the past few years built the foundation for this argument. In their symposium paper entitled "Millennials and Student Debt", the authors Jennifer Wang and Portia Boone, highlight with statistics how the life of Millennials deferred as a consequence of student loan debt. The results from the survey conducted by American Student Assistance (ASA) reveals that among respondents more than 60 percentface difficulty to buy a car, 73 percent delay investing and saving for retirement and 75 percent delay to buy a home (47).

Additionally, a 2019 study entitled "73% of Millennials with Student Loan Debt Have Delayed a Major Milestone as a Result" reveals that student loan debt pushed Millennials to delay seven major life and financial milestones including; saving for emergencies, buying a home, paying off other debt, buying or leasing a car, saving for retirement, having children and getting married. The studies emphasise the influential role of student loan debt on

Millennials' life.Thus, improving the economic and social life of Millennials must goes through solving student loan debt crisis.

In the course of answering the main question of this research, which is how student loan debt is shaping Millennials' life? there are several substantial questions to address:Who are Millennials? How did the Great Recession shape the life of Millennials? What makes Millennials socioeconomically different from earlier generations? How student loan debt crisis is affecting Millennials' life? What is the impact of student loan debt on Millennials' homeownership? What are the solutions to consider when dealing with student loan debt?

This dissertation uses three methods; descriptive, comparative and analytical. They are used to investigate how the financial life of Millennials was impacted by the Great Recession and subsequently student loan debt crisis. First, the descriptive method is used in the first chapter to provide the background for the hypothesis; definitions for the Millennial generation and the impact of the Great Recession. In addition, it is used in the second chapter to describe how student loan debt crisis affects Millennials. Second, the comparative method is used to show how Millennials compared socio-economically with earlier generations. Third, the analytical method is used to analyze tables and figures. The socio-economic nature of the research dictates using numerical data throughout the research. The research uses reports, books, videos and articles from newspapers, magazines and websites for its development.

The present research explores the financial difficulties facing Millennials in the US with special focus on the impact of student loan debt. It compares the socioeconomic status of Millennials with those of earlier generations to indicate the severity of the financial difficulties they are facing. This research will contribute to the overall understanding of how student loan debt crisis is affecting Millennials' life and financial milestones. It prioritizes overcoming student loan debt as a major step towards solving the financial difficulties facing Millennials.

This dissertation is composed of three chapters. The first chapter entitled “Millennials: The ‘Unlucky’ Generation”, explores how Millennials’ life delayed. It begins by highlighting the origins of the term Millennial before it provides a variety of definitions introduced by pioneering specialists in different fields. In addition, the first chapter emphasizes the impact of the Great Recession on Millennials and how it played a pivotal role during their adulthood. Moreover, to gain more insights on the Millennial generation, the first chapter covers its socioeconomic status. The socioeconomic factors cover educational attainment, household income, median net worth, racial diversity, marriage status and debt.

Chapter two entitled “Student Loan Debt Crisis: The Impact on Millennials” is composed of three parts. The first part provides brief history and general trends of student loan debt crisis in US. It covers statistics on student loan debt, how it is compared to other types of debt, reason for the crisis and how it impacts different age groups. The second part focuses on how student loan debt crisis is affecting Millennials in particular through highlighting the major reasons and factors that led to the crisis. The third part underlines the implications of student loan debt crisis on Millennials’ life, particularly, how student loan debt crisis is causing Millennials to delay life and financial milestones. The third part details the impact of student loan debt crisis on Millennials’ homeownership.

The third chapter entitled “Avenues to Confront Student Loan Debt Crisis” presents two major steps to overcome student loan debt crisis. Firstly, on the personal level Americans in general and Millennials in particular have to develop the financial knowledge required to deal with student loan debt. They have to be aware of the funding options, types of loans and repayment plans. Secondly, at the national level the government has to adopt at least one of the proposals introduced by presidential candidates to solve student loan crisis. There are three major proposals worth of discussion; forgiveness plan, free community state college and refinancing of student loans.

Chapter One

1. Millennials: The "Unlucky" Generation

Millennials in the US are encountering a historic financial challenge; they were hit by a severe economic downturn during their early years of adulthood, which resulted in making them financially ruined. They make less money and have more debt. In comparison, earlier generations were financially secure as they enjoyed long periods of economic growth. Therefore, to fully grasp what makes Millennials the unlucky generation it is essential to know who are Millennials? How the Great Recession impacted them? In addition, what is their socioeconomic status?

1.1 Definition of the Millennial Generation

The Millennial Generation refers to the generation that came after Generation X, Baby Boomers, Silent Generation and the Greatest Generation. Accordingly, the generation of Millennials was born between 1981 and 1997, Generation X between 1965 and 1980, Baby Boomers between 1946 and 1964, the Silent Generation between 1928 and 1945 and the Greatest Generation between 1915 and 1928 (Kurz et al.). Most often Millennials are compared with earlier generations for better understanding on different issues. However, the limitation of the comparison depends on the data available and the scope of the study.

The Millennial Generation has received an overwhelming media coverage over the years. Its issues often make their way to the headlines which made it popular. However, defining the Millennial Generation with precision remains challenging due to the variety of definitions available. Different definitions for the Millennial Generation were introduced to cope with deferent fields. A *usatoday.com* article entitled "The Malignant Myth of the Millennial" lists several definitions by generational experts for the term "Millennial" and they are as follows:

- Neil Howe and William Strauss, who are credited with coining the term Millennial in their 1991 book*Generations*,define the group as those born between 1982 and 2000.
- The Pew Research Center defines Millennials as those born after 1980. The group's cut-off for the youngest Millennials varies from 1992 to 1999, depending on the study.
- In his book, *Not Everyone Gets a Trophy: How to Manage the Millennials*, Bruce Tulgan defines two "waves" of Millennials: first wave (Generation Y) born 1978 to 1989, and second wave (Generation Z) born 1990 to 2000.
- Author David Stillman defines Millennials as people born between 1980 and 1994. He defines Generation Z as those born from 1995 to 2012. (Cummings)

The above definitions clarify different issues about Millennials. The first definition is crucial since it refers to the origin of the term “Millennial”. It points out that Neil Howe and William Strauss, theorists in generational trends, invented the term “Millennial” in 1991. However, they proposed other names for Millennials like “13th Gen” and “slackers”, but none of them gained popularity like the term “Millennial” did (Kelly 2). For this reason, to understand the idea behind choosing the term “Millennial” Neil Howe explains,“We thought that an upbeat name would be good because of the changing way they were being raised. They would be the first to graduate high school in the year 2000, so the name millennial instantly came to mind” (qtd. in Raphelson). Howe’s words suggest that the popularity of the term “Millennial” comes from the fact that it portrays the different changes Millennials went through.

Additionally,the third definition divides the Millennial Generation into two waves; Generation Y and Generation Z. However, in reference books the term “millennial” and “Generation Y” are used synonymously to refer to the same generation. The Millennial

Generation was originally called Generation Y long before the term “Millennial” became popular. *Oxford Advanced Learner’s Dictionary* defines “Generation Y” as “the group of people who were born between the early 1980s and the end of the 1990s, who are mainly the children of the Baby Boomers and who are regarded as being very familiar with computers and electronic technology”. This definition offers some of the distinguishing characteristics of Generation Y. However, like the above definitions it does not provide the exact birth years of this cohort.

The long-time disagreement over the birth years of the Millennial Generation is largely lessening. Recent researches are overwhelmingly limiting its birth cohort between 1981 and 1996. Michael Dimock, president of *Pew Research Center*, clarifies with precision the birth cohort of Millennials. He affirms that starting from 2018, the year 1996 became the cutoff of the birth years for Millennials. Accordingly, Millennials in 2019 age between 23 and 38 years old. On explaining the significance of limiting the birth years of Millennials to 16 years (1981-1996), Dimock says is to make it equal to that of Generation X born (1965-1980). In doing so, comparative studies between Millennials and Generation X became more informative.

1.2 TheImpact of the Great Recession on Millennials

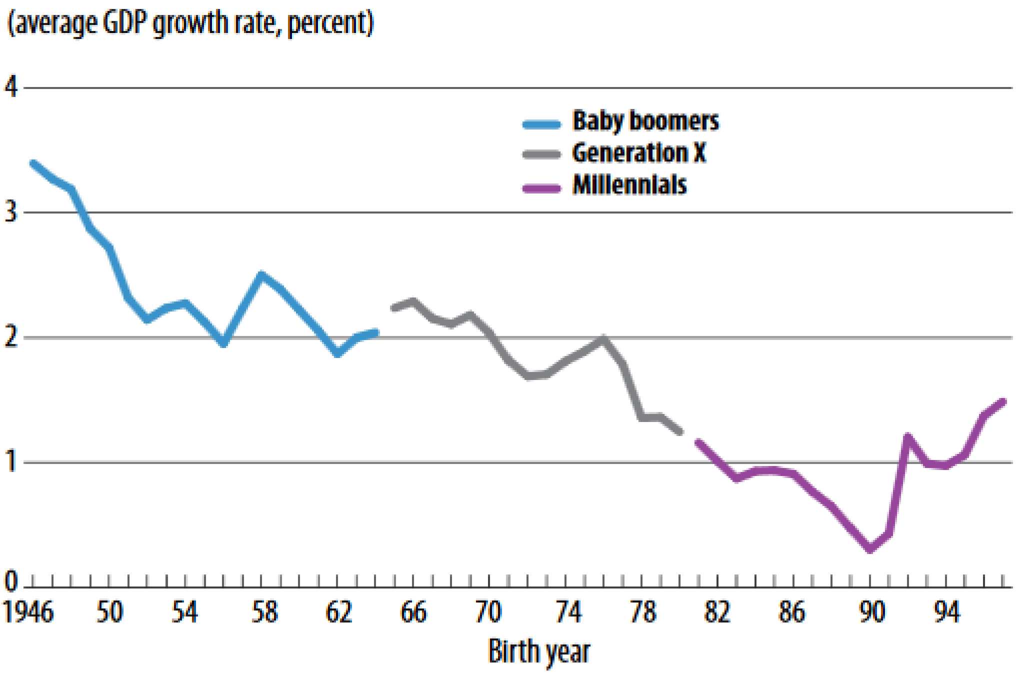
The financial problems facing Millennials in the United States are strongly associated with the Great Recession that was sourced from the financial crisis of 2008. In their book entitled *Capitalism in America: A History*, authors Alan Greenspan and Adrian Wooldridge provide an overview of the financial crisis of 2008:

> On Monday, September 15, 2008, at 1:43 A.M., Lehman Brothers, America’s fourth-largest investment bank, filed for bankruptcy, precipitating the biggest financial crisis since the Great Depression and, in one way, the biggest financial crisis ever. Even at the height of the 1929 stock market crisis, the call money market functioned, albeit

> with annual interest rates of 20 percent. Within hours of Lehman's collapse there was a run on money-market mutual funds, hitherto regarded as almost risk-free. Within days, funding markets, which provided vital credit to financial and nonfinancial companies alike, all but seized up, setting off a severe spiral of global economic contraction. A system of financial regulation that had been carefully developed and relentlessly fine-tuned over several decades simply failed. (373)

Millennials felt the repercussions of the 2008 financial crisis within the next few years. They were vulnerable reaching their adulthood during an economic downturn. Millennials faced a number of problems in the aftermath of the crisis: increasing numbers were living with their parents, lower rates of marriage, higher rates of unemployment and increasing student debt. A *bls.gov* article titled "Millennials after the Great Recession" backs the problems faced by Millennials with statistics. For adults living with their parents, the percentage was 36 in 2012 for the young cohort ages 18-31. For marriage, the rate decreased from 30 percent in 2007 to 25 percent in 2013 among the same age cohort. For unemployment rate, while the rates for the age cohort 16-24 were 15.5 in 2013 and 14.2 in 2014, it was only 5.4 percent in 2014 for the age cohort over 25. In addition, Student debt continued to increase during the period extending from 2005 to 2014; increasing from $13.000 to $21.000 for the young adults who are less than 30. In all, the Great Recession has shaped the Millennial generation and left long-lasting effects.

The long-lasting impact of the Great Recession split Millennials. Members of the Millennial generation were divided into two groups; older Millennials who were affected severely by the Great Recession and younger Millennials who were not adults then. In a *businessinsider.fr* article about the impact of the Great Recession on Millennials, Hillary Hoffoer mentions thatthe *Center for Generational Kinetics* divides Millennials based on their age into two groups; the older Millennials age 30 and more and younger Millennials age less than 30. While older Millennials experienced the ripple effects of the economic downturn, younger Millennials reached adulthood during a better economy. Consequently, older Millennials were ruined financially compared with younger Millennials who were more risk



averse when dealing with their finances.

Fig. 1. Differing circumstances Between Millennials and Previous Generations;Dettling, Liza, and Joanne W. Hsu. “Playing Catch-up.” *International Monetary Fund*. June 2017. p. 22. Web. 1 Mar. 2019.

Figure 1 displaysthe Gross Domestic Product (GDP) across three generations in their adulthood; Baby Boomers, Generation X and Millennials. Itshows that Millennials reached their adulthood during an era of severe economic contraction compared with Generation X and Baby Boomers. To conclude, the Great Recession was the direct reason for recording the lowest level of GDP in decades, which suggests the significance of this event in the life of the Millennial generation.

1.2.1 The Socio-Economic Status of Millennials

Exploring the socioeconomic status of Millennials is substantially insightful to learn about how Millennials became the unlucky generation. In other words, learning how

Millennials compared socioeconomically with earlier generations. The following pages cover a number of socioeconomic factors; including educational attainment, household income, median net worth, racial diversity, marriage status and debt.

1.2.2 Educational Attainment

Millennials are the most educated generation in the United States. They achieved higher levels of education compared with their counterparts in earlier generations. The *Pew Research Center* article entitled "Millennial Life: How Young Adulthood Today Compares with Prior Generations" provides insightful statistics on educational attainments across four generations; the Silent generation in 1968, early Boomer in 1982, late Boomer in1989, Generation X in 2001 and Millennial Generation in 2018.

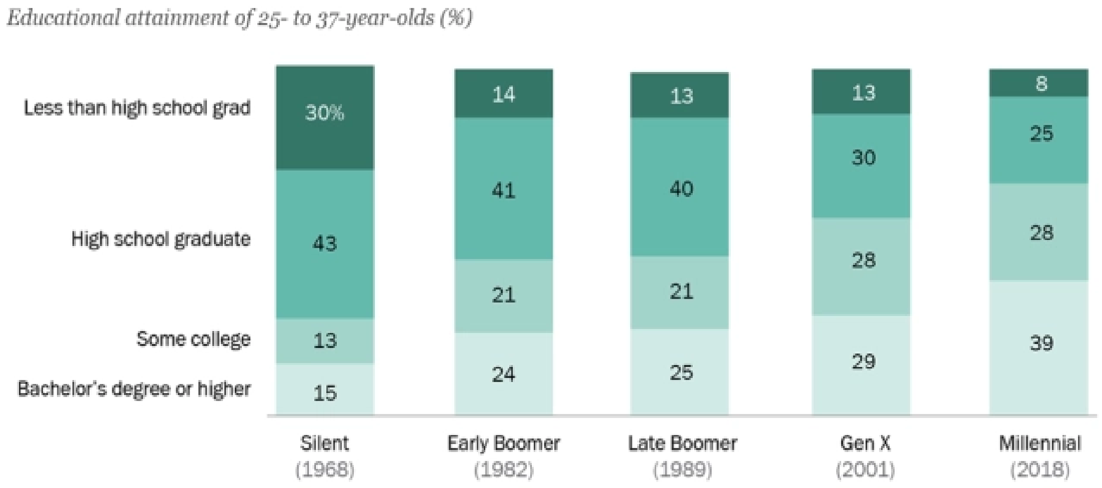


Fig. 2. Millennials are Better Educated than Prior Generations;Bialik, Kristen, and Richard Fry. "Millennial Life: How Young Adulthood Today Compares with Prior Generations". *Pew Research Center*. 14 Feb. 2019. Web. 2 Mar. 2019.

Figure 2 demonstrates the findings of the study. On the one hand, the figure shows that the share of adults age 25-37 with a bachelor's degree among Millennials outpaced their counterparts in earlier generations: 39 percent compared with only 29 percent for Generation X, 25 percent for Late Boomers, 24 percent for Early Boomers and only 15 percent for Silent.

On the other hand, the percentage of adults age 25-37 with high school diploma or less continued to decrease from Silent to Millennials.

The article compares also the educational attainments of Millennials and earlier generations by gender. It shows that the share of adults age 22-37 who completed at least bachelor's degree among Millennial men and women outpaced their counterparts in Silent Generation, early Boomer, late Boomer and Generation X. What is also noticeable is that Millennials continued the shift of women outpacing men in educational attainment that was first recorded by Generation X. In general, the demand for higher education is on the increase simply because it is highly valued by the economy.

1.2.3 Household Income

The household income helps to examine the financial situation of Millennials. It reflects their ability to face the rising costs of living; whether they are able make ends meet or not. For this reason, it is substantial to compare the household income of Millennials with those of earlier generations. A *federalreserve.org* report entitled "Are Millennials Different?" provides an informative comparison of household income across three generations; Baby Boomers in 1978, Generation X in 1998 and Millennials in 2014.

Table 1

Real Income by Year and Generation Thousands of 2016 dollars

	2014		1998		1978	
	Young households (Millennials)	All households	Young households (Gen X)	All households	Young households (Boomers)	All households
Male head labor income	49.5	74.1	49.5	64.0	56.1	67.2
	[40.6]	[54.7]	[44.2]	[51.5]	[53.4]	[60.7]
Female head labor income	39.1	46.6	36.5	44.4	35.4	37.1
	[31.2]	[39.9]	[32.4]	[38.3]	[33.1]	[33.2]
Family income married couples	78.2	112.0	73.6	103.8	77.5	88.0
	[67.2]	[87.0]	[62.8]	[81.0]	[73.6]	[79.5]
Memo: Income inequality						
Gini male head income	.35	.42	.31	.37	.26	.29
Gini family income married couples	.35	.41	.34	.40	.26	.31

Source: Kurz, Christopher, et al. "Are Millennials Different?" *Finance and Economics Discussion Series*, 2018, p. 47.

Table 1 demonstrates the average labor earnings of individuals for both male and female in addition to family income of married couples. The average labor earnings of male heads of all household fluctuated between 1978 and 2014. It decreased from 1978 to 1998 then it increased from 1998 to 2014. The average labor earnings of male heads of all household in 2014 was higher than those of 1998 and 1978 when compared separately. Interestingly, younger household income of male Millennials is at the same level with their counterparts in Generation X and lower than Baby Boomers.

The average labor earnings of female heads of all household increased steadily from 1978 to 1998 and from 1998 to 2014. The continuous increase is best explained by the educational attainment gained by females of all ages. However, younger female Millennials did not benefit from the increase because the table shows that their median income kept decreasing from 1978 to 2014.The family income of all household and young couples grew from1978 to 2014. However, the growth is more pronounced for family income of all household compared with young married couples. In general, the income of Millennials is close to Generation Xers and considerably less than Baby Boomers.

What justifies that Millennials have similar income with Generation X and less than Baby Boomers despite being the most educated generation? Answering this question requires looking at the earning of Millennials with variant levels of education. Kristen Bialik and Richard Fry comparebetween the median annual earning of individuals with college education and less across four generations; Millennials, Generation X, Baby Boomers and Silent. Their study shows that Millennials with a bachelor’s degree earned $56.000 in 2018 which is about the same amount made by Generation Xer in 2001 and more than Baby Boomers and Silent Generation. However, Millennials with some college education or less earned less than their counterparts in Generation X, Baby Boomers and Silent Generation. For instance, while high school graduates earned $36.000 in 2018, early Boomers earned $38.900 in 1982 and their counterparts in the Silent Generation earned $41.800 in 1968. Thus, the comparison clearly shows that Millennials are lagging behind earlier generations on the level of household income.

1.2.4 Median Net worth of Households

Wealth accumulation is another socioeconomic factor to understand the economic disparity between Millennials and earlier generations. A *brookings.edu* article titled “Are the kids alright? Saving and Wealth Accumulation Among the Millennial Generation” highlights the disparity in wealth accumulation between Millennials and previous generations. The use of two age brackets (25-35) and (20-35) is justified because the latter may include people who still at university unlike the former that includes people who are earning money.

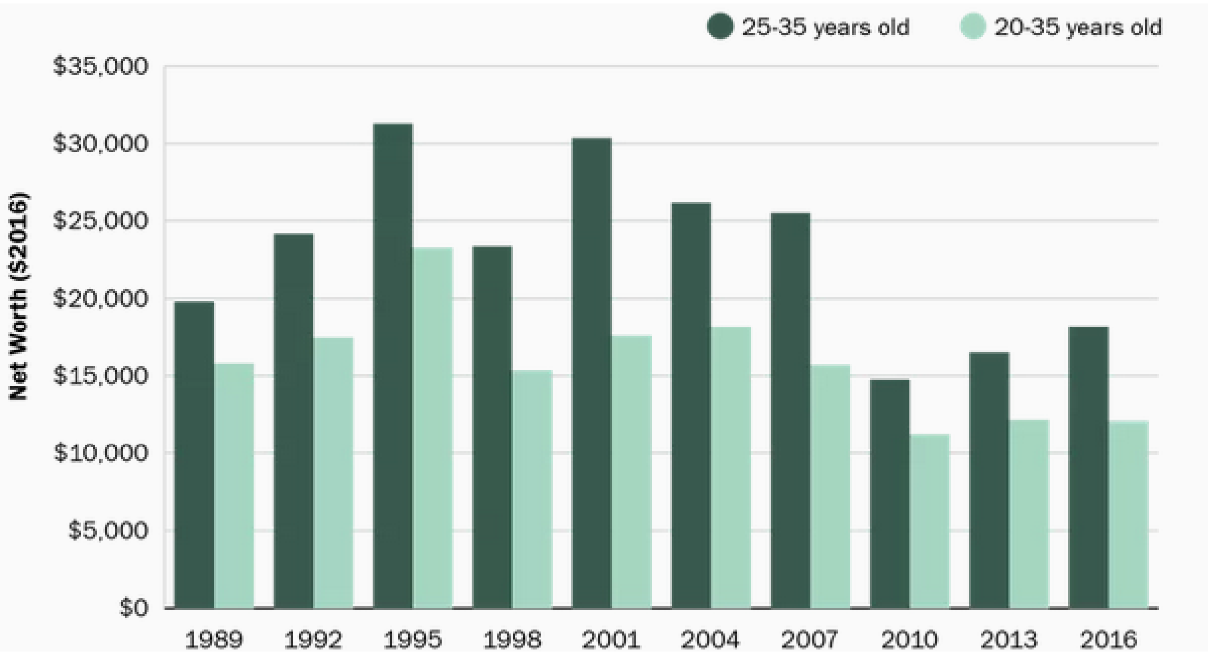


Fig. 3. Median Net Worth among Young Households (1989-2016);Gale, William G. “Are the kids alright? Saving and Wealth Accumulation Among the Millennial Generation.” *Brookings Institute*. 20 March 2019. Web. 5 Apr. 2019.

Figure 3 shows that Millennials in 2016 accumulated less wealth than Baby Boomers in 1989 and Generation X in 2001. Comparing median net worth of young adults ages 25-35 shows that Millennials in 2016 have accumulated only $18.000 compared with $30.000 for Generation X in 2001 and $20.000 for Baby Boomers in 1989. What worsened the situation for Millennials to build wealth was the Great Recession; they were more vulnerable than Generation X and Baby Boomers who were resilient to face economic downturns. In addition, Millennials approached investment with more scepticism than earlier generations. At present Millennials hardly start to recover from the Great Recession.

Another study by *Young Invincibles* backs the disparity in assets between Millennials and Baby Boomers. The study shows that Millennials have accumulated half the assets as Boomers. The comparison which focused on adults age 25 to 34 shows that Baby Boomers in 1989 had assets of $61,277 while Millennials had only $29,350 in 2013; which means 52 percent decrease. In all, owning assets is highly associated with economic circumstances; individuals are more likely to own more assets during an economic growth and less during an economic downturn.

1.2.5 Racial Diversity

Millennials have come to prove strongly that every generation is more diverse than its predecessor. Accordingly, Millennials are more racially diverse than Generation X members and the latter are more diverse that Baby Boomers, then the comparison continues. In a report entitled *The Millennial Generation: A Demographic Bridge to America's Diverse Future*, the demographer William H. Frey presents statistics on the diversity of Millennials. He shows that the percentage of whites declined from 1980 to 2015. During the same span of time the percentage of blacks, Asians, Hispanics and other groups increased.

According to the statistics 78 percent of Baby Boomers in 1980 were whites compared with 63 percent of Generation X in 2000 and only 56 percent of Millennials in 2015. In contrast, 14 percent among Millennials in 2015 were blacks compared with 12 percent for Baby Boomers and 13 percent for Generation X. With Asians it was a similar story; 6 percent for Millennials, 4 percent for Generation X and only 2 percent for Baby Boomers. In addition, Hispanics increased significantly from Baby Boomers to Millennials; from 7 to 21 percent and percentage among Generation X members was 17. Similarly other groups have increased from 1 percent for Baby Boomers in 1980 to 3 percent for Generation X in 2000 and Millennials in 2015.

Racial diversity continued through decades to reflect an economic disparity. For instance, members of minority groups are more likely to have less wealth than whites. Wealth accumulation is an area where the economic disparity between minority groups and whites is pronounced. In his book entitled *Is Inequality in America Irreversible*, the author Chuck Collins gives some statistics on wealth accumulation disparity:

> Reflecting the historic inequalities between white, black, and Latino households, the racial wealth divide has grown over the last several decades. In 2013, the median wealth of white households was an alarming 13 times greater than the median wealth of black households up from 8 times greater in 2010. White households had 10 times more wealth than Latino households.The richest 100 billionaires have more wealth than the entire African American population: more than 14million households with 42 million people. The wealthiest 186 billionaires have as much wealth as the entire Hispanic population: more than 55 million people. (9)

Generally working in a racially diverse group can boost productivity. However, being member of a minority group would result in racial inequality.

1.2.6 Marriage Status

Millennials are less likely to prioritize forming a family compared with earlier generations. Kristen Bialik and Richard Frycompare the marriage rates of young adults ages 25-37 across four generations; Silent, Baby Boomers, Generation X and Millennials. The study shows that the marriage rate of Millennials was only 46 percent in 2018 down from 83 percent for Silent in 1968, 67 percent for early Boomers in 1982, 57 percent for late Boomers in 1989 and 57 percent for Generation X in 2001. In addition, the average age for marriage increased significantly since1968; an increase from 21 to 28 for women and from 23 to 30 for men. In general, the statistics direct the interest to know what does the lower rates of marriage among Millennials reflect? And what are the implications of lower marriage rate for Millennials themselves and broader economy?

The lower rate of marriage among Millennials reflects in particular the cultural and socioeconomic changes. Firstly, the cultural shift between Millennials and earlier generations dictates on them to create their own order of milestones. Millennials consider education and economic security as important milestones towards adulthood and forming a family (Moon 9). Secondly, the lower rate of marriage among Millennials is associated to socioeconomic aspects. On concluding how the socioeconomic status of Millennials impacts their rate of marriage Banjamin Gurrentz says:

> In sum, when discussing the economic prerequisite for young adults to enter into marriage, this study finds that full-time work, median wages, women's poverty (specifically for women's marriage rates), housing costs, owning a home, and living in their parents' home are all significantly related to young adult marriage in the United States. (22)

The lower rates of marriage among Millennials would have a negative impact on future economy. The decrease in birth rates would lead to shortage in labor force which subsequently creates a slower economic growth. In addition, more burdens would be placed on the social security, as the labor force will not be able to cover the expenses of retirement and other social services.

1.2.7 Millennials and their Debts

Millennials broke the record of the highest levels of personal debt accumulation recorded by previous generations at the same age. A *nypost.com* article titled "Millennials are Deeper in Debt than Past Two Generations: Study" provides the average total debt on assets accumulated by individuals age 22-37 across three generations; Baby Boomers, Generation X and Millennials. The study found that Millennials have on average $84,600 in debt, while their counterparts at the same age Generation X members and Baby Boomers had on average $79,400 and $59,300 in debt respectively. These numbers show that Millennials are lagging behind the two previous generations. Millennials ran up high levels of debt to face the rising costs of living and to cover the cost of higher education in particular.

Table 2

Real Liabilities by Year and Generation Thousands of 2016 dollars

	2017		2004	
Liability type	Young individuals (Millennials)	All individuals	Young individuals (Gen X)	All individuals
Total debt: mean	43.7	47.9	49.0	48.1
: median	19.6	21.3	23.1	22.4
: share (pct.)	81.8%	73.4%	80.2%	74.5%
Mortgage: mean	24.3	34.0	33.7	36.1
: median	105.4	89.4	94.0	81.8
: share (pct.)	18.6%	27.0%	27.7%	31.4%
Auto: mean	5.3	4.5	5.2	4.1
: median	10.2	10.6	11.6	11.4
: share (pct.)	40.4%	32.1%	35.5%	27.7%
Credit card: mean	2.3	3.0	3.4	3.9
: median	1.8	2.1	2.5	2.4
: share (pct.)	58.3%	55.0%	58.4%	57.4%
Student: mean	10.6	5.0	4.5	1.8
: median	17.9	16.4	12.8	10.5
: share (pct.)	33.5%	16.3%	19.8%	9.1%
Other debt: mean	1.2	1.4	2.2	2.2
: median	1.4	1.3	1.6	1.3
: share (pct.)	32.0%	32.2%	41.5%	38.2%
Memo:				
No. of open accts.	3.8	3.9	4.0	4.1
No. of inquiries	2.8	2.1	4.5	3.2

Source: Kurz, Christopher, et al. "Are Millennials Different?" *Finance and Economics Discussion Series*, 2018, p. 49.

Table 2 summarizes the types of debt held by Millennials and compares them with Generation X members. The study demonstrated on the table limited the comparison with Generation X members because data used is taken from the Federal Reserve Bank of New York Consumer Credit Panel/Equifax (CCP) that started in 1999. Millennials in 2017 had an average total debt on liabilities of about $44.000 while Generation X members had $49.000 in 2004. This shows that the decline is small when looking at the total debt, but is important in looking at the different types of debt.

Table 2 compares between four types of consumer debt held by Generation X members in 2004 and Millennials in 2017; mortgage debt, credit card debt, car loans and student loans.First, for mortgage debt, while only 19 percent of Millennials had mortgage in 2017, 28 percent of Generation X members had mortgage in 2004. For this reason, Millennials had on average lower mortgage debt compared with Generation X members; $24.300 and $33.700 respectively. However, the median mortgage is higher for Millennials than Generation X members; $105.000 and $94.000. The rise in house prices explains why Millennials have higher median mortgage debt than Generation X.

Second, Millennials surpassed Generation X on the share of auto loans; 40 percent versus 36 percent. The average balance on auto loans increased only by $100; $5.200 in 2004 versus $5.300 in 2017.

Third, the share of Millennials and Generation X members with credit card balances remained approximately the same; 58.4 in 2004 and 58.3 in 2017. However, the average credit loan balance of Millennials is less than Generation X members ($2.300 versus $3.400).

Fourth, unlike the other types of consumer debt, student loans affected Millennials significantly. 34 percent Millennials had student loans in 2017 compared with only 20 percent of Generation X in 2004. Millennials had a median student loans of $18.000 and an average of $11.000 in 2017 compared with Generation X members who had a median student loans of only $13.000 and an average of only $5.000 in 2004. The rising in tuition fees which will be covered in the second chapter is a major reason that justifies the increase in the amount of student loans Millennials are holding.

Finally, the share of Millennials and Generation X members with other debt balances declined from 42 percent in 2004 to 32 percent in 2017. Correspondingly, the average of other debt balance of Millennials is less than Generation X members ($2.200 in 2004 versus $1.200 in 2017).

In general, Millennials borrowed less money on different loan categories except for student loans due to several reasons. Firstly, because tough measures were taken after the Great Recession of 2007-9; which were intended to lend less money. Secondly, Millennials in 2017 had insufficient credit history. Thirdly, the rising awareness of Millennials to control their finances by distancing themselves from taking loans that would steal from their future.

Debt can also have a cultural explanation besides the economic explanation.Debt has become a defining aspect of the American culture. Americans, especially the middle class families, are debtors on almost every aspect of their lives including healthcare, housing, education and cars. In a society where consumerism is supported by the government, the accumulation of debt became acceptable solution to survive. While the debate over debt continues, the side of the argument that seems most probably right is to avoid debt and live debt free. “Debt is not a tool; it is a method to make banks wealthy, not you. The borrower truly is slave to the lender” (Ramsey, 48).

Chapter Two

2. Student Loan Debt Crisis: The Impact on Millennials

Student loan debt crisis has become a serious issue in the US particularly for younger people. It is affecting different age groups however, its long lasting impact is placing a large financial burden on Millennials. After introducing the student loan debt crisis in the US this chapter will highlight the impact of the crisis on Millennials' life.

2.1 Student Loan Debt Crisis in the US

Higher education system in the United States is undoubtedly one of the best in the world. It is a system where all institutions are committed to provide excellent education; not only the Ivy League institutions which are known for their leading academic reputation. American universities have outstanding staff and high records of research. They provide the quality and access, however the significant rise of tuition fees in the past few decades made the return on investment of earning a grade highly risky.

2.1.1 Statistics on Student Loan Debt Crisis

The continuous rise in the cost of higher education over the past few decades resulted in student loan debt crisis in the United States. The word crisis depicts the seriousness of the debt problem facing students. Student loan debt in 2019 hit a record: the total of borrowers accounts for more than 44 million who owe collectively $1.56 trillion (Friedman). The student loan debt crisis is affecting 14 percent of total population, and it continues to grow which makes it a major challenge for the United States.

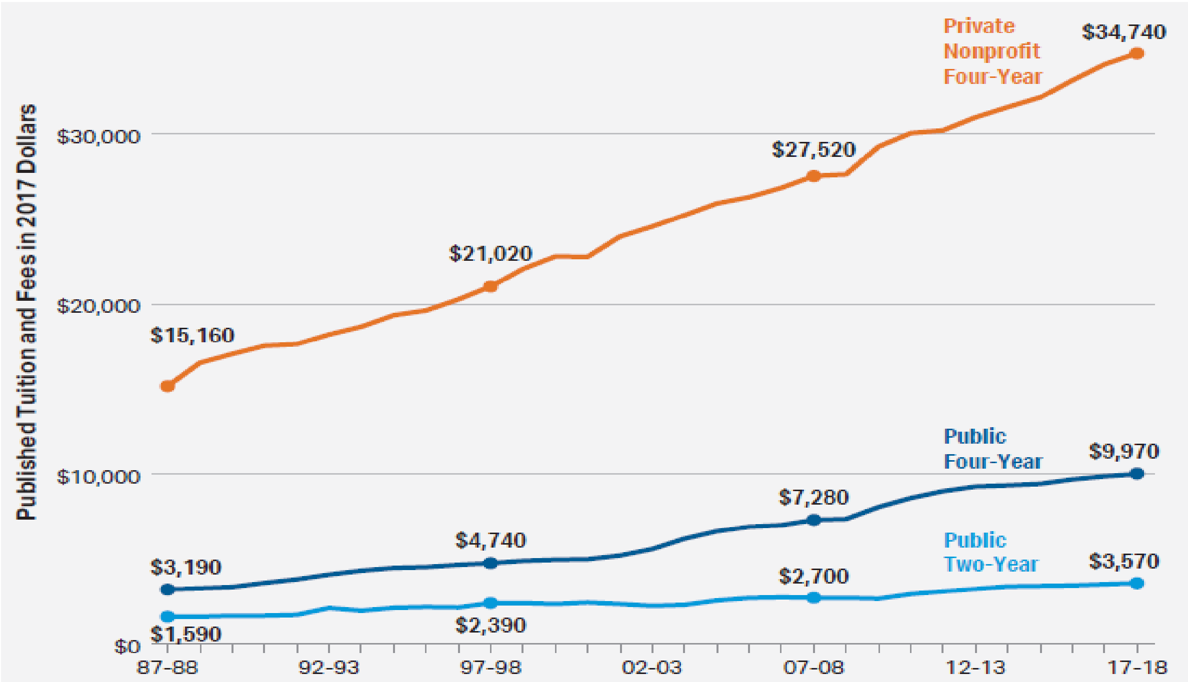


Fig. 4.Average Published Tuition and Fees in 2017 Dollars by Sector, 1987-88 to 2017-18;Ma, Jennifer, et al. "Trends in College Pricing 2017." *College Board*. 2017. Web. 3 June 2019.

The average student loan debt increased dramatically in the past few decades. The *College Board*'s reporttitled "*Trends in College Pricing 2017*" examines the increase in tuition fees between the school years 1987-1988 and 2017-2018. Figure4 shows the increase in college tuition by sector. First, the tuition for public two year institutions has risen from $1.590 in the 1987-1988 school year to $3.570 in the 2017-2018 school year, that is an increase of 125 percent. Second, the tuition for public four-year institutions has risen from $3.190 in the 1987-1988 school year to $9.970 in the 2017-2018 school year, that is an increase of 213 percent. Third, the tuition of private four year schools has risen from $15.160 in 1987-1988 school year to $34.470 in 2017-2018 school year, that is an increase of 129 percent. The pronounced increase clearly indicates that the cost of higher education, whether in public or private institutions,is an issue of concern unlike the situation thirty years ago.

Students take out loans as the most common means to finance their education. There are two major types of loans; federal loans and private loans. First, the federal student loan debt represents 92 percent of the total student loan debt and it accounts for 43 million borrowers who owe $1.4 trillion. Second, the private student loan debt represents 7.63 percent of the total student loan debt and its borrowers owe $119.31 billion (Nykiel). The statistics shows that the federal government holds major responsibility for the student loan debt crisis being the primary lender of loans.

The delinquency on student loans reflects the seriousness of the crisis. 11.4 percent of student loan borrowers were delinquent or in default 90 days or more in the fourth quarter of 2018 (Scally). Furthermore, one million of federal loan borrowers default each year (Blagg). Defaulting on student loan is the least favorable option for borrowers because it has a devastating influence on their financial life. *Federal Student Aid*, which is an office in the U.S. Department of Education, lists some of the consequences of default and they are as follows:

- The entire unpaid balance of your loan and any interest you owe becomes immediately due (this is called "acceleration").
- You can no longer receive deferment or forbearance, and you lose eligibility for other benefits, such as the ability to choose a repayment plan.
- You will lose eligibility for additional federal student aid.
- The default will be reported to credit bureaus, damaging your credit rating and affecting your ability to buy a car or house or to get a credit card.
- Your tax refunds and federal benefit payments may be withheld and applied toward repayment of your defaulted loan (this is called “Treasury offset”).

- Your wages will be garnished. This means your employer may be required to withhold a portion of your pay and send it to your loan holder to repay your defaulted loan.
- Your loan holder can take you to court.
- You may not be able to purchase or sell assets such as real estate.
- You may be charged court costs, collection fees, attorney’s fees, and other costs associated with the collection process.
- It may take years to reestablish a good credit record.
- Your school may withhold your academic transcript until your defaulted student loan is satisfied. The academic transcript is the property of the school, and it is the school's decision—not the U.S. Department of Education’s or your loan holder’s—whether to release the transcript to you.

2.1.2 Student Loan Debt Compared to Other Types of Debt

Student loan debt is the largest type of household debt in the United States after mortgage debt. It stood at $1.46 trillion in December 2018 behind mortgage debt that stood at $9.1 trillion. Student loan debt outpaces separately motor vehicle debt, credit card debt and home equity debt which stood at $1.2 trillion, $870 billion and $412 billion respectively (Scally).

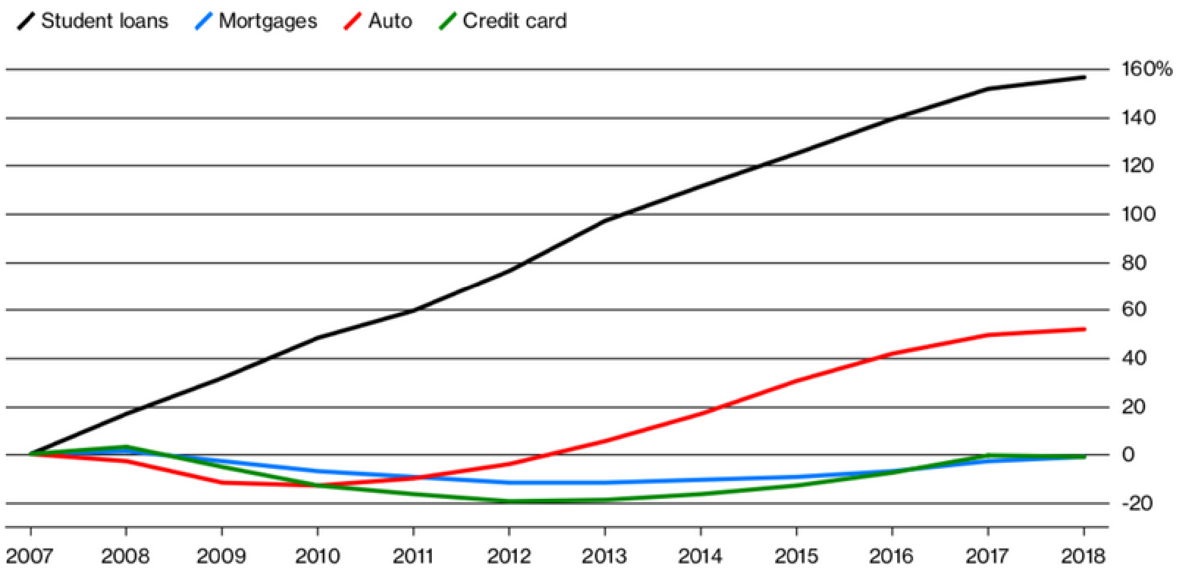


Fig. 5. Student Loans Are the Fastest Growing Segment of U.S. Household Debt;Griffin, Riley. “The Student Loan Debt Crisis Is About to Get Worse.” *Bloomberg*, 17 Oct. 2018. Web. 3 June 2019.

Student loan debt has grown significantly in recent years. While auto loan debt grew 52 percent and both credit card debt and mortgage debt fell by 1 percent, student loan debt increased by 157 percent in just 11 years from 2007 to 2018. More surprisingly, student loan debt will not have any substantial decrease in the coming years (Griffin). The dramatic growth of student loan debt is most likely attributed to the rise in tuition fees and interest rates.Figure 5 shows the substantial increase of student loans compared with the other types of consumer debt.

2.1.3 Reasons for the Student Loan Debt Crisis

The federal government has played an unintended role in making higher education unaffordable. The United States efforts to make higher education affordable started in 1965 when Congress passed the Higher Education Act. The Act ensured fixed interest rates on loans and protected borrowers from going into default. Financing higher education went through banks during the following decades, but in the 1994-1995 school year the federal government decided to control student loans through the Direct Loan Program. In 2010 the program completely controlled student loans (Moon 25-26). As a result, universities raised tuition because they were sure that the government will provide loans for students to finance their education. Consequently, the dramatic increase of tuition fees resulted in student loan crisis. Students are pushed to accumulate more student debt by taking more loans they cannot afford to pay back. Answering the question how did the cost of higher education increased dramatically, the economist Richard K. Vedder lists in an article entitled "The Triple College Crisis. Crisis #1: College Is Too Costly" the five common explanations for the rising costs of higher education and they are as follows:

> First, the Baumol hypothesis (named for the late economist William Baumol): Higher education is an inherently costly labor-intensive-type activity where productivity advance is nearly impossible, leading to big price increases over time. This is also sometimes called Baumol's Cost Disease. Second, there is Howard Bowen's Revenue Theory (named for the late economist and college president): Colleges spend whatever revenue they raise. Absent a profit motive, there are almost zero incentives to reduce costs and conserve resources. Public university presidents, however, emphasize a third theory: public financial support for higher education in some sense is declining. Fourth, conservative theorist William Bennett's hypothesis is that vastly expanded federal financial assistance programs have led universities to raise fees to capture increased financial aid; colleges gain more than students. Fifth, the ability to expand fees depends largely on rising demand, which in turn reflects mainly the growth in the earnings premium associated with a college diploma over time. College is expensive, but it is worth it.

Of all the explanations, Bonnett's hypothesis provides the best explanation for the rising tuition fees. The federal government, through the federal financial assistance, holds responsibility for the rising tuition because it made loans more accessible for students. The harmful fact about loans is that borrowers take them without any financial knowledge on how to manage them. In addition, the increase in student loan interest rates in recent years makes repayment more difficult and thus worsens the crisis. Table 2 shows the fluctuation of interest rates across four types of student loans over the last five years. The interest rates have increased noticeably in the last three consecutive years.

Table 3

How Interest Rates Have Fluctuated Over the Past Five Years for Different Types of Federal Student Loans

Type of Loan	Direct Subsidized Loans	Direct Unsubsidized Loans for Undergrads	Direct Unsubsidized Loans for Grad Students	Direct PLUS Loans
Who's the loan for?	Undergrads with demonstrated financial need	Undergrads regardless of need	Grad students regardless of need	Grad students or parents of dependent undergrads
Interest rates for 2014-15	4.66%	4.66%	6.21%	7.21%
Interest rates for 2015-16	4.29%	4.29%	5.84%	6.84%
Interest rates for 2016-17	3.76%	3.76%	5.31%	6.31%
Interest rates for 2017-18	4.45%	4.45%	6.00%	7.00%
Interest rates for 2018-19	5.05%	5.05%	6.60%	7.60%
Note: New rates take effect July 1 of each year.				

Source: Rakoczy, Christy. “Everything You Need to Know About Student Loan Interest Rates.” *Student Loan Hero*. 2018.

2.1.4 Student Loan Debt is a Multi-Generational Problem

Student loan debt crisis is a multi-generational problem. While it is most often tied to Millennials, other generations are also affected. The Federal Reserve Bank of New York statistics for 2017 shows student loan debt by age as follows: borrowers under 30 years old represent the largest share of the total borrowers with 16.8 million, borrowers age 30-39 number 12.3 million, borrowers age 40-49 number 7.3 million, borrowers age 50-59 number 5.2 million and borrowers over 60 years old number 3.2 million(Friedman).

The dramatic increase in the amount of student loan debt in recent years is affecting all age cohorts. Borrowers of all ages were part from the dramatic increase of student loan debt between 2004 and 2018. Student loan debt increased from $455.2 billion in 2004 to record $1.5 trillion by December 2018. Interestingly seniors age 50 and older represent the fastest growing category of borrowers(Trawinski; Montezemolo and Williams).

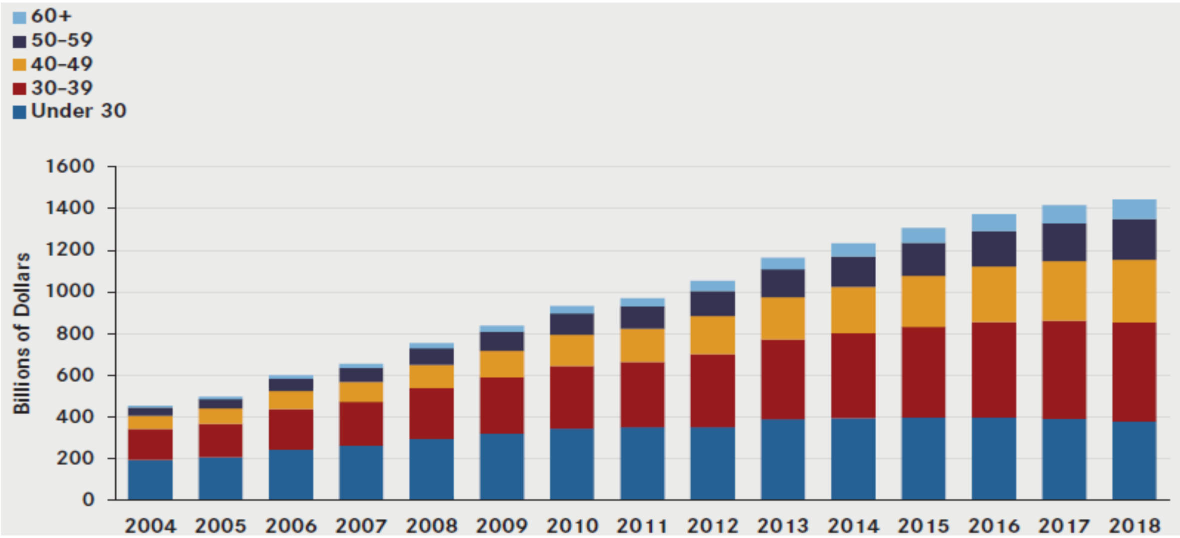


Fig. 6.Total Student Loan Debt by Age Group (in 2018 dollars); Trawinski, Lori A. Susanna Montezemolo and Alicia Williams. “The Student Loan Debt Threat: An Intergenerational Problem.” *AARP Public Policy Institute*. May 2019. Web. 5 June 2019.

2.2 Millennials and Student Loan Debt

A solid relation between Millennials and student loan debt crisis has developed over the past few years in America. While student loan debt crisis is affecting different age groups, it is uniquely the crisis of Millennials. The crisis is affecting Millennials in their early economic life risking their financial security. Millennials continue to face the historic challenge of earning the right of education at an unprecedented expense.

Summing up the challenges facing Millennials, the authors Douglas A. Boneparth and Heather J. Boneparth say:

> Our cautions eroded, we've grown into ill-equipped young adults who are not ready to tackle the outrageous cost of higher education we need to thrive. After graduating with unprecedented student loan debt, today's unchartered labor environment then challenges our ability to jumpstart meaningful careers and our adult lives. This is the very essence of the Millennial Problem. It's ugly and the obstacles we face are uniquely ours. (17)

2.2.1 Millennials Value Higher Education

Millennials in the U.S. give more importance to higher education compared with their counterparts in previous generations. Their perception on adulthood defines the hierarchy of life milestones. A *U.S. Census Bureau* report entitled "*The Changing Economics and Demographics of Young Adulthood: 1975–2016*" shows that in today's America (2016) education and economic security top the list of milestones towards adulthood. In contrast, the report shows that in 1975 marriage and parenthood were the defining milestones of adulthood. Generally, the shift in how adulthood is achieved shaped Millennials' prioritization of higher education.

The importance of higher education to Millennials is reflected through the increase of enrollment. The share of graduates with a four-year degree among people age 25-29 increased by 20 percent during the period extending between 2001 and 2016 (Lenz). Millennials believe that earning a grade is a guarantee to earn more money because people with a grade continue to earn more. They are more likely to pay their debt and establish financial security. Millennials have to hit the right balance between paying their student debt and achieving life and financial milestones. They have to avoid sacrificing their future pursuing a degree, because challenges continue after graduation with the job market and housing.

2.2.2 Millennials Default on Student Loan Debt

Millennials have accumulated more student loan debt than any previous generation. Millennials age 18-29 hold $378 billion in student loan debt in 2018 (Lenz). Obviously the data is limited since it does not include the complete age cohort of Millennials, which suggests that student debt is even bigger for this generation. Additionally, the majority of Millennials will continue to accumulate more debt as they are still pursuing expensive grades.

Millennials' struggle to pay their student debt is primarily related to the stagnant wages of new graduates. The informative video titled "Pay-checks for New College Grads Are Barely Rising" shows that wages of young graduates grew by 14 percent in three decades (1989-2019). In other words, wages grew only by 0.5 percent annually, which prevents students from paying their rising debt. The trend of slow wage growth is even worse for women and people of colour who earn 13 percent less than male employees and 12 percent less than white employees respectively.

2.2.3 Millennials' Underemployment

Recent graduates face difficulties in the job market. They often find themselves overqualified for the jobs they hold. In an *independendet.org* article titled "The Triple College Crisis: Crisis #3. Too Few Good Jobs", the economist Richard K. Vedder points out that while the underemployment rate for all college graduates was 34 percent as of December 2018, it was over 41 percent for recent college graduates. Recent college graduates are those aged 22 to 27 with a bachelor's degree or higher. He concludes that overinvestment in higher education creates an unbalance between supply and demand in the job market. In other words, the job market does not help Millennials to build successful careers and establish financial security.

Recent graduates who are underemployed face a high risk of defaulting by working in a less-paying jobs. They are more likely to fail on making their monthly payment on student loans debt. Recent study shows that college graduates (age 22-27) who are underemployed earn about $10.000 less than college graduates who work in jobs that match their qualifications. The study compares between college graduates with bachelor's degree in their first years in the job market (Taska et al.). Despite that repayment plans consider salaries in determining the exact amount of money for monthly repayment, Millennials continue to struggle with student loan debt as they face several life expenses.

2.2.4 Millennials Favor Socialism

Millennials have developed over the past few years a favorable view on socialism. They question capitalism as it continues to burden them with an unprecedented amount of debt. A 2018 *Gallup Poll* reveals that 51 percent of young Americans age 18-29 have positive views about socialism. The poll also reveals that there is a 12 percent decrease in the favorable views on capitalism among young Americans, a decline from 68 percent in 2010 to 45 percent in 2010. The rise of populism is among the factors that contributed to young Americans' positive views on socialism. For instance, the rising popularity of left politicians like Bernie Sanders and Alexandra Ocasio-Cortez among Millennials reflects their belief in socialistic ideas like making public college tuition free and forgiving all student loan debt.

Millennials in the US have the power to make the political change. Millennials are the second largest generation in the electorate with 62 million in 2016 after Baby Boomers who numbered 70 million in the same year. Millennials are projected to dominate the electorate within few years (Bialik and Fry). Two Millennials were involved in the 2020 presidential race; mayor Pete Buttigieg 37 years old and representative Tulsi Gabbard 38 years old. Millennials envision a better country where issues like inequality, the rising costs of education, housing and healthcare are solved.

2.2.5 Millennials Blame Baby Boomers for their Financial Problems

Millennials blame Baby Boomers for the financial problems they are facing. American leadership has been dominated by the Baby Boomer generation, which suggests its role in ruining the life of young adults. A 2018 *Axios* and *SurveyMonkey Poll* reveals that 51 percent of Millennials' respondents affirm that the policies made by the Baby Boomer generation have affected them negatively. Only 13 percent replied that the policies of Baby Boomers have a favorable effect on them and 33 percent of the respondents hold a neutral view on the issue. Interestingly, 30 percent of Baby Boomers' respondents affirm that policies of their generation have negative impact on Millennials' life. In contrast, 32 percent of Baby Boomers affirm that policies made by their generation have improved the life of Millennials while 34 percent hold neutral view on the survey's question.

Baby Boomers are blamed for the repercussion of their policies on Millennials' financial life. The author Joseph C. Sternberg argues that Millennials' ruined life is the outcome of a series of bad policies taken by the Baby Boomer generation. The policies that affected Millennials negatively were taken before, during and after the Great Recession 2007-09. The author lists several policies including; decreasing the investment, replacing labors with automation, burdening students with debt without guidance, not supporting the small companies that hire young adults, not supporting housing in urban areas where jobs are more available for Millennials.

Despite the tension between Millennials and Baby Boomers, the financial support between them goes in both ways. Millennials are helping their parents financially and not only receiving their help. On the one hand, Baby Boomers support Millennials financially. A 2018 Merrill Lynch report titled "*The Financial Journey of Modern Parenting: Joy, Complexity and Sacrifice*" reveals that 79 percent of parents support their adult children financially. Parents help their adult children financially with approximately $500 billion annually to cover various expenses including; food, cell phone, car expanses, school, vacations, rent or mortgage and student loans. On the other hand, Millennials support their parents, Baby Boomers, financially. A 2017 survey entitled “Employee Financial Wellness” issued by Price Waterhouse Coopers (PWC)reveals that 42 percent of Millennials support their parents or their in-laws financially; up from 29 percent in 2016, 21 percent in 2015, 19 percent in 2014 and 17 percent in 2013.

2.3 The Impact of Student Loan Debt Crisis on Millennials’ Life

Student loan debt represents a multi-dimensional problem affecting Millennials’ life. It drags Millennials down on the level of their finances and psychology. Millennials with student debt are more likely to experience limitation in choices and financial uncertainty. For instance, Millennials’ choice of the type of work is restricted as a result of the pressure to make their monthly payment on student debt. Millennials are less likely to envision themselves financially successful in the future due to the complicated financial landscape they are facing currently.

Student loan debt has a ripple effect on Millennials’ life and financial milestones. A 2019 study by *bankrate.com* entitled “73% of Millennials with Student Loan Debt Have Delayed a Major Milestone as a Result” reveals that student loan debt pushed Millennials to delay seven major life and financial milestones. The major life and financial milestones reported from respondents are ordered from the most to the least cited; first, saving for emergencies 38 percent; second, buying a home 31 percent; third, paying off other debt 28 percent; fourth, buying or leasing a car 28 percent; fifth, saving for retirement 25 percent; sixth, having children 19 percent; seventh, getting married 17 percent.

The impact of student loan debt on delaying major life and financial milestones is more pronounced on Millennials compared with other generations. While 50 percent of Baby Boomers did not delay major life and financial milestones because of student loan debt, only

27 percent of Millennials replied that major life and financial milestones were not delayed because of student loan debt.

2.3.1 The Impact of Student Loan Debt on Millennials' Homeownership

The unprecedented amount of student loan debt is continuing to affect negatively Millennial homeownership. The rate of homeownership declined dramatically among young adults (age 24-32) by 9 percent between 2005 and 2014, compared with just 4 percent at the national level. The researchers estimate that student loan debt held accountable for 20 percent decline in young adult homeownership. They found also that every $1.000 added to student loan debt decreases the rate of homeownership by 1 to 2 percent (Mezza et al.).

Highlighting the impact of student loan debt on homeownership in particular is dictated by the importance of this milestone for Millennials. The 2018 Homebuyer Insights Report, which surveyed 2.000 young adults, shows that 72 percent of Millennials prioritize owning a home over marriage and having kids, 50 percent prioritize marriage and only 44 percent pointed to having kids. Despite Millennials' priority to own a home, they are lagging behind earlier generations. According to Choi et al., Millennials have lower homeownership rate compared with Generation X and Baby Boomers at the same ages 25-34. Only 37 percent of Millennials are homeowners in 2015 compared with 45.5 percent of Generation X members in 2000 and 45 percent of Baby Boomers in 1990.

2.3.2 Student Loan Debt Causes Stress for Millennials

Student loan debt is a major generator of stress for Millennials. It affects their future through stealing from their present life. Indebted Millennials have to make monthly payments which restricts the control over their finances. In addition, Student loan debt, like other types of debt, creates an emotional burden. In her book entitled *Love Your Life Not Theirs,* Rachel Cruze highlights how debt creates an emotional burden:

> There isn't just a financial toll to having debt; there is an emotional toll as well. When you owe someone money—whether it is the bank, a credit card company, or a family member—it changes the way you live. It changes the reason you go to work. It creates such a burden for you that sometimes it seems hard to breathe. And while you may be tired and weary of the debt lifestyle, you're not sure how to do it any other way. (38)

A study conducted by LendEdu and Laurel Road on how student loan debt generates stress for Millennials revealed some interesting statistics. It shows that 74 percent of Millennials are consistently stressed about their student loan debt and 56 percent feel anxious and self-conscious about their financial situation. The study shows also that the majority of Millennials lack the financial awareness about the negative impact of student loan debt on other life milestones (Martin).

Chapter Three

3. Avenues to Confront Student Loan Debt Crisis

The seriousness of the student loan debt crisis dictates approaching efficient solutions to overcome it. However, in the absence of formal solutions, whoever takes student loans must be fully aware of the long term impact of his financial decision. This chapter will cover the financial knowledge required to manage student loan debt and the major proposals to solve student loan debt crisis.

3.1 The Financial Knowledge Required to Manage Student Loan Debt

The burden of student loan debt is undoubtedly tied to the lack of financial knowledge: in many cases students take loans without even reading the terms of repayment or lack the financial knowledge to make an informed decision about them. For this reason, it is crucial to develop the financial literacy on the options of funding higher education, types of loans and the repayment plans.

3.1.1 Funding Higher Education

High school graduates with the assistance of their parents have to understand the aim behind going to college before funding it. They have to examine several funding options in order to avoid taking loans. High school graduates have to consider the long-term impact of student loans and the fact that repayment takes always a longer time than planned, which places on them a financial pressure.Most importantly, high school graduates have to make use of the time before enrollment to make an informed decision about funding higher education. Parents have to participate in choosing the right university for their children. For instance, they have to consider the benefits of going to community college. The co-authored book entitled *The Graduate Survival Guide: 5 Mistakes You Can't Afford to Make in College* lists several benefits of community college:

- Lower tuition costs

- Smaller campus size
- Save money by living at home
- Flexible class scheduling
- Expanded online class opportunities
- Variety of programs
- Use of the latest technologies
- Complete your basic requirement classes
- Time to think about what you want to do
- Boost your GPA
- Specialize in a field of study
- Transfer your credits to a university

High school graduates have to distance themselves from the idea that community colleges are not good. They have to weigh their benefits academically and financially. Choosing the right funding option is crucial, but what is more important is to develop the financial knowledge about those funding options.

3.1.1.1 Saving for College

Saving for college is a good option to fund higher education. It reflects the long term planning for college. Parents are able to save for their children' higher education following a number of savings options. The financial expert Dave Ramsey briefly explains two tax-free savings options. First, the Educational Savings Account (ESA); a saving plan that grows tax free for money used to fund school. The ESA plan permits to fund $2.000 per year for households with an income of less than $220.000. The ESA plan is highly recommended as the first step towards saving for college. Second, 529 plan; a less favorable saving option. It places more restrictions on the money saved (159-160). Saving for college is an effective funding option to avoid being crippled by debt. It is an option that Millennials' parents ignored, which caused their children to struggle financially for many years after graduation.

3.1.1.2 Financial Aid

Applying for financial aid is an important funding option to pay for college. There are two forms of financial aid, the federal aid and the nonfederal aid. Federal aid is designed to provide assistance for students, however, it is not accessible unless qualification for it is met. The office of federal student aid offers grants, loans and work-study funds. First, receiving a grant is the best way to go to college because it does not require repayment, however, qualification for grants must be met. Second, federal loans offer lower fixed interest rates, best repayment plans and they can be forgiven. Third, work-study gives the opportunity to cover at least the expenses (Types of Federal Student Aid). In addition, the financial aid could be obtained from the state or colleges (Javice).

3.1.1.3 Scholarship

Scholarships are the best option to fund higher education as they are not repaid. They offer free money to go to college debt free. Scholarships are granted on the basis of outstanding performance in high school and they usually require writing excellent essays. The good news about scholarships is their expansion across the United States. Different types of scholarships are currently available in 11 States and soon will expand to reach 20 States. Most scholarships available are known by "Last Dollar Scholarship"; they allow to study two years free. The city of New York is already offering a unique scholarship. A scholarship known as "Excelsior Scholarship"; started in 2017 was the first of its kind to make study four years tuition free (Dickler).

3.1.1.4 Work-study Program

Work-study program provides a great opportunity for students to assist themselves financially while enrolling. Federal Student Aid, an office of the U.S. Department of

Education, illustrates federal work-study program as follows: “Federal Work-Study provides part-time jobs for undergraduate and graduate students with financial need, allowing them to earn money to help pay education expenses. The program encourages community service work and work related to the student’s course of study”. It is clear from the illustration that federal work-study program covers only the expenses related to education, but it is important to consider it as a way of pursuing higher education without debt.

3.1.1.5 Federal Student Loans

Federal student loans refer to the most common means used to finance higher education in the United States. They are blamed for creating student debt crisis and dragging the Millennial generation to debt. However, they are better than private loans on many levels. In a nerdwallet.com article titled “Government Student Loans: What Are the Benefits?”, the author Brianna Mcgurran lists some distinguishing benefits of federal loans and they are as follows Lower rates and fees

- You don’t need good credit
- You don’t need a co-signer
- More time to pause payments
- Less interest accrues on subsidized loans
- Access to income-driven repayment
- More time before student loan default
- You don’t need good credit to consolidate
- More forgiveness options and
- Guaranteed loan cancellation if you die.

High school graduates should not consider federal student loans as a good means to finance their education only by looking at the numerous benefits they offer. They have toweigh their benefits and their drawbacks before deciding to take them as a funding option for their higher education.

3.1.1.6 Private Student Loans

Private student loans refer to the type of loans taken from private financial institutions to fund higher education. A *usnews.com* article entitled “Pros and Cons of Private Student Loans” outlines the advantages and disadvantages of private student loans. On the one hand, private student loans can be used to cover educational expenses when other funding options fail. They provide flexible application process. Private student loans offer variable interest rates in addition to fixed interest rates. On the other hand, Private student loans require good credit, which prevents many students to take loans on their own. Additionally, interest rates on private student loan will continue to rise during repayment. Moreover, private student loans offer very limited options to make paying debt more affordable.

The article concludes with several steps on how to choose the right private student loan. First, Private student loans should only be taken when other funding options fail to cover educational expenses. Second, students should do a research on private student loans before borrow them. Third, Students have to borrow only what they need. Fourth, Students have to start repayment as quick as possible.

3.1.2 Types of Loans

There are two major types of student loans; first private student loans, which are issued by private financial institutions with variations in the terms and condition of the loan from one institution to another; and second federal loans, which are issued by the government and they offered under a federal law that states specifically the terms and conditions of the loan. Thus, choosing the right loan to fund higher education is an important step as it affects its repayment.

3.1.2.1 Private Student Loans

Privatestudent loans are loans lent by private institutions to fund higher education. They are less flexible compared with federal student loans mainly for their restricted terms and conditions. Borrowers of private student loans are not eligible for several repayment plans including consolidation and forgiveness. In addition, private student loans are often not subsidized and require an established credit record to take them (Federal Student Aid). However, Private student loans sometimes offer better terms and condition for repayment compared with Federal student loans. For this reason, taking private student loans to fund higher education should be considered a good option when they offer good terms and conditions.

3.1.2.2 Federal Student Loans

There are two main types of federal student loans; direct subsidized and direct unsubsidized loans. Students have to examine each type in order to make an informed decision. In an articleentitled "Subsidized Vs. Unsubsidized Student Loans" published on *forbes.com*, the author Camilo Maldonado provides an overview of the two main types of federal student loans. First, direct subsidized loans can be taken only by undergraduates who are in financial need. They offer a package of benefits. The government pays interest during enrollment, during the grace period and during deferment. Second, direct unsubsidized loans can be taken by undergraduates and graduates. With direct unsubsidized loans, students have to make the payment on interest while they are in school. Students are exposed to interest capitalization if they fail to make the payment.After examining the similarities and the differences between direct subsidized and unsubsidized loans, the author concludes that the former is better than the latter.

Furthermore, federal student loans are also known as Stafford loans, Perkins loans and Parent Loan for Undergraduate Students (PLUS) loans. Stafford loans used to refer to both subsidized and unsubsidized loans. Perkins loans are available for students who are in financial need, they offer lower interest rate. PLUS loans come with higher interest rate and charge fees. They are composed of Parent PLUS and Grad PLUS; the former are taken by parents for their children and the latter are loans for graduates (Oneal and Cruze 6).

3.1.3 Repayment Plans

After funding higher education by taking loans, borrowers face the challenge of paying them back. This challenge can only be approached by learning about the different repayment plans. Student loans are never a good idea since they create a debt trap. However, loans are the only funding option for many students. For this reason, they should not only be aware of the types of loans and how they take them, but they have also to understand how they are repaid. There are several options of repayment for both federal loans and private loans.

3.1.3.1 Federal Loan Repayment Plans

There are four main federal loan repayment plans; Standard Repayment Plan, Graduated Repayment Plan, Extended Repayment Plan and Income-Driver Repayment Plan which is composed of five plans; Income Contingent Repayment, Income Sensitive Repayment, Income Based Repayment, Pay As You Earn (PAYE) and Revised Pay As You Earn(REPAYE).

First, Standard Repayment Plan is a basic plan to pay federal student loans. Under Standard Repayment Plan, the borrower pays a fixed amount each month for ten years. The repayment period under this plan is the shortest compared to other plans. The short period of repayment means paying less interest on the loan. However, the plan has also its drawbacks; for instance, the fixed payment is not good when encountering a financial hardship. In addition, paying the loan in a short period means paying more on a monthly basis (Maldonado).

Second, Graduated Repayment Plan; is a plan under which the monthly payment starts low and increases every two years for ten years. Additionally, more interest is payed under this plan compared to Standard Repayment Plan. The Graduated Repayment Plan helps in the early years after graduation to make repayment. It is helpful feature especially for recent graduates who earn low income(Student Loan Repayment Options).

Third, Extended Repayment Plan offers more time for repayment; up to 25 years. For this reason, borrowers who pay under this plan pay small monthly payments. In addition, they can choose to make their payments fixed or graduated. However, the Extended Repayment Plan has its drawbacks to consider: long period of repayment, borrowers pay more interest on the loan and they do not benefit from Public Service Loan Forgiveness (Safiar).

Fourth, Income-Driven Repayment Plan;refers to a set of plans designed to make monthly payments more affordable based on the income. The plans are; Income Contingent Repayment, Income Sensitive Repayment, Income Based Repayment, Pay As You Earn (PAYE) and Revised Pay As You Earn (REPAYE).The Income Contingent Repayment plan was created in 1993 to help borrowers pay less on their monthly payments. Borrowers who pay under this plan are eligible for forgiveness when they make 25 years of qualifying repayments.

The Income Sensitive Repayment plan was created in 1998 to help more borrowers to benefit from flexible repayment option. The plan does not qualify for loan forgiveness.The Income Based Repayment plan was created in 2007 by the College Cost Reduction and Access Act. It is designed to make the monthly payment more affordable. The income based repayment plan supports all federal loans except the parent PLUS loans. The plan qualifies for loan forgiveness after 25 years.

The Pay As You Earn Plan (PAYE) was created in 2011 to boost affordability and provide another option for borrowers. However, the plan is more limited to direct loan borrowers who took loans on October 2007 and still have loans as of September, 30th 2011. PAYE qualifies for loan forgiveness after 20 years of repayment.

The Revised Pay As You Earn (REPAYE) was created in 2015 as an enhanced version of PAYE to include more borrowers. It features 10 percent of discretionary income on the monthly payment and 25 years of repayment for student graduates instead of 20 years. REPAYE qualifies undergraduates for forgiveness after 20 years and graduates after 25 years (Institute for Higher Education Policy and Lumina Foundation).

3.1.3.2 Private Loan Repayment Plans

While federal loans are payed through four main repayment plans, private repayment plans vary as they are loans lent on different terms. An article entitled “All About Private Loan Repayment Options” covers four repayment plans offered by most private lenders; Immediate Repayment, Interest-Only Repayment, Partial Interest Repayment and Full Deferment.

First, Immediate Repayment; the repayment under this plan covers the principle and the interest. It starts directly after the disbursement of the loan. The immediate repayment plan ensures quick elimination of the loan debt which saves more money. However, start paying loans in school is daunting for borrowers.

Second, Interest-Only Repayment; borrowers pay only the interest under this plan as long as they are in school before the principle is added to payment after school. Principle deferment plan saves money by avoiding interest capitalization.

Third, Partial Interest Repayment; fixed repayment plan offers borrowers a fixed payment per month, for instance $25 or more while they are in school. Under this plan, borrowers minimize the balance of debt which helps in repayment after graduation.

Fourth, Full Deferment;this plan allows borrowers to pay nothing on their loans, neither the interest nor the principle, while they are in school and during the grace period. The payment starts after the grace period, which makes the plan attractive for many borrowers. However, not making any payments on the interest costs borrowers to pay more money on their loans.

3.1.3.3 Consolidation

Consolidation is a substantial option to pay off student loan debt. It allows to combine several loans into one single loan with lower interest rate. Consolidation makes paying the debt more manageable for borrowers. It can be applied on federal loans and private loans, but each of the two types offers unique features. First, federal consolidation offers borrowers the flexibility and qualifies them to use the income driven repayment plans. Second, private consolidation can make the monthly payment considerably low and saves more money, but it is less flexible compared to federal loans and does not allow borrowers to switch between repayment plans (A. Boneparth and J. Boneparth 100-102). In all, consolidation is a good option to pay debt, however each borrower has to consider his personal situation before taking the permanent decision of consolidating his loans.

3.1.3.4 Refinancing

Refinancing is another repayment plan for borrowers to consider. It is closely related to consolidation but comes with its own restrictions. The financial expertErin Lowry addresses the essence of refinancing to pay off student loans. Refinancing is simply taking a new loan with lower interest rate to pay off an existing loan. It is an effective repayment option to save money and time through paying less each month. Refinancing is primarily used to pay off private loans, however, when used with federal loans it turns them into private loans. In doing so, losing the advantages of federal loans like; income-driven repayment, forgiveness and deferment. For this reason, borrowers of federal loans have to consider refinancing only when they are confident enough to make the repayment without the advantages of their loans.

3.1.3.5 Forgiveness

Student loan forgiveness is a relief option from student debt. It allows to get rid of the debt balance after a certain period of qualifying payments. The federal government and private lenders offer several plans for forgiveness, but only very few applicants successfully apply for them.

The chances for federal loan forgiveness are very low. A *cbsnews.com*video entitled "Federal loan forgiveness program has 99 percent rejection rate" shows that the rate of applicants who benefit from the Public Service Loan Forgiveness Program (PSLFP) is very low. The program allows to forgive the debt balance of public servants after they make 10 years of qualifying payments. The statistics of the Department of Education shows that out of 75.138 applicants only 864 applicants succeeded.

Similarly, the chances for private student loan forgiveness are very low, but still there is a possibility for borrowers to consider this option. A *savingforcollege.com* article entitled "Are Private Student Loans Eligible for Loan Forgiveness?" lists several options for private student loan forgiveness and they are as follows:

- State student loan forgiveness
- Military loan forgiveness
- Disability discharge
- Death discharge
- For-profit college closure
- Inability of your servicer to prove ownership or that the debt is owing.

3.2 Major Proposals to Solve Student Loan Debt Crisis

Student loan debt is creating a crisis in the United States and the absence of formal solutions is making the crisis more complex. The only attempts to find solutions are generally suggested during the presidential elections. While some candidates propose some solutions worth of discussion others propose unrealistic solutions. There are three major plans proposed by candidates of the 2020 presidential elections; 1) forgiveness plan, 2) free community college and 3) refinancing of student loans.

3.2.1 Forgiveness Plan

The forgiveness plan is an ambitious plan to solve the student loan crisis. Elizabeth Warren, a democratic senator and presidential candidate, strongly argues that student loan forgiveness is the appropriate solution for the crisis. Warren's plan to forgive student loan debt is an ambitious plan that would cancel up to $50.000 for borrowers with an income of less than $100.000. For borrowers with an income bracket of $100.000-$250.000, the amount canceled would decreases as the income increases. Warren's plan caps debt cancelation at the income of $250.000; those who earn more have to repay their student loans. Elizabeth Warren suggests that she would fund her plan by 2 percent tax of household worth of more than $50 million (Nova). Student loan forgiveness plan generates much acceptance, and also strong criticism.

Student loan forgiveness is strongly criticized. The economist Richard K. Vedder argues that Warren's plan is unfair and harmful economically. The plan is unfair in the sense that while some borrowers are struggling with student loan debt, other borrowers have already made their repayments. In addition, imposing the tax on wealthy people to fund the plan harms the economy. The tax would kill the entrepreneurial spirit of America, which will result most certainly in limiting the economic growth.

The presidential candidate senator Bernie Sanders also came up with a plan to forgive student loan debt. The forgiveness plan of Senator Bernie Sanders goes beyond the plan of senator Elizabeth Warren. His plan does not consider the income to determine the amount of debt to be cancelled, instead it addresses all borrowers with student loan debt. Bernie Sanders' plan to forgive student loan debt would be fully paid by a tax on Wall Street speculation (Steainbuch).

The debate over student loan forgiveness continues to enrich with the opposing views of President Trump and the democratic candidate for the presidential election of 2020 Joe Biben. On the one hand Trump supports student loan forgiveness through one income-driven repayment plan. Under his plan borrowers of federal student loans would pay 12,5 percent of their discretionary income monthly compared with 10 percent currently. Trump's plan would qualify undergraduate borrowers for student loan forgiveness after 15 years of student loan payments compared with 20 years currently. On the other hand Biden proposed a plan that would cancel $10,000of student loans per person. His plan would also forgive undergraduate borrowers of federal student loans who earn less than $125,000 per year with government making the monthly payments. The repayment under Biden's plan is strictly related to the annual income of $25,000; borrowers who earn less would make no monthly payment and borrowers who earn more would pay no more than 5 percent of their discretionary income. Biden's plan would forgive federal student loans after 20 years (Friedman). In all both plans are ambitious to solve student loan debt crisis however only the presidential election will determine which one of them will become a policy.

3.2.2 Free Community State College

The first steps to make community college free were taken during Obama's administration. Since then politicians continued to enrich the debate over the issue. The 2020 presidential campaign provides an opportunity for candidates, specifically Democrats, to explain their plans on how they will make community college tuition-free. Some Democratic candidates support two-years free community college, and others propose plans to make even four-year colleges free.

A *apnews.news* article titled “2020 race brings free college back to the national stage” provides an overview on where Democratic candidates stand on the issue of college free. Senator Elizabeth Warren and senator Bernie Sanders have similar plans to make public institutions completely free. They claim that their plans would make colleges more affordable. However, they are criticized for the cost of funding their plans. Senator Elizabeth Warren’s Plan costs about $1.25 trillion over 10 years, and senator Bernie Sanders plan costs about $47 billion annually.

Other Democratic candidates, including senator Amy Klobuchar and former Vice President Joe Biden, argue that making four year colleges free is not attainable. Instead, they support two-years free community college. Senator Amy Klobuchar argues that two-years free college will help in the job market she says, “When I look at the jobs that are available right now out there, we have a lot of job openings in areas that could use a one-year degree, a two-year degree, and we’re just not filling those jobs’ she added,” (qtd. in Binkley). The free two-year community college is spreading across the United States. For this reason, efforts to make this option more effective must be made before moving to work on completely new ideas.

3.2.3 Refinancing of Student Loans

Refinancing student loans could be the best solution for the crisis facing borrowers. It allows to pay the old loan through taking a new loan with lower interest rate. Many Democratic candidates for the 2020 presidential elections propose several plans to make refinancing student loans more effective. Several Democratic candidates support financing student loans. The candidates are: Senator Kamala Harris, Senator Amy Klobuchar, Senator Kirsten Gillibrand, Senator Cory Booker, Senator Bernie Sanders and Senator Elizabeth Warren. Of all the candidates’ plans to finance student loans Senator Kirsten Gillibrand proposes an ambitious plan (Gregorian).

Senator Kirsten Gillibrand campaigned for years in favor of refinancing student loans. She introduced in 2013, the Federal Student Loan Refinancing Act into Congress. The Federal Student Loan Repayment Act would allow borrowers to refinance their loans at 4 percent for loans with interest rate that exceeds 4 percent. The Act would benefit many borrowers since loans available have an interest rate of more than 4 percent (Yang). Additionally, efforts to lower interest rate were also made by Senator Bernie Sanders through introducing the College for All Act in 2017. The Act would fix the interest rate at 5 percent for undergraduates and 8.25 percent for graduates (Collins 102).

Conclusion

The Great Recession hit Millennials severely causing them unprecedented financial difficulties. Unlike older generations, Millennials were financially vulnerable. They were at the age of experiencing the major life and financial milestones for the first time. Millennials delay buying a home and consider renting longer, they marry later compared with earlier generations and accumulating less wealth. Additionally, Millennials encounter tough job market and high costs of living. Interestingly, student loan debt crisis played a major role in Millennials' financial difficulties.

Millennials prioritize to pursue grades regardless of their unprecedented expenses and the domino effect on their life. They consider higher education as an important step towards adulthood and most importantly a guaranteed path to establishfinancial security. However, Millennials take longer time to pay their student loan debt which causes them to delay life and financial milestones.

Student loan debt crisis impacts Millennials' life significantly. The increasing difficulty to pay student loan debt diminishes their ability to; save for emergencies, buy a home, pay off other debt, buy or lease a car, save for retirement, have children and get married. In all, the unaffordable higher education shapes the life of Millennials.

Furthermore, the financial difficulties facing Millennials are not solely the direct impact of student loan debt they hold but can also be attributed to the lack of the financial knowledge required to deal with this type of debt. Millennials have to be aware of their financial choices before enrollment. They have to know about; different ways of funding higher education, types of loans and repayment plans.

The limitation of this research raises new interesting questions. For instance, except for the impact of student loan debt on Millennials' homeownership that was detailed, there are several questions like:How student loan debt is affecting Millennials' saving for retirement?

How student loan debt is affecting Millennials' wealth accumulation?How Millennials manage their student loan debt?

This research is most likely to accept further improvements. It can be approached by highlighting some case studies of Millennials on their journey to pay their debt. In addition to put the theoretical financial knowledge into practice case studies are helpful to make the right financial decisions. Moreover, preferences of Millennials must be considered when discussing the hierarchy of milestones because their priorities are unlikely to be the same as that of earlier generations.

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